



# Department of Justice

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## **JUSTICE DEPARTMENT URGES FCC TO ADOPT REFORMS OF ITS ACCESS CHARGE RULES TO INCREASE COMPETITION**

### **Reforms Will Bring Lower Prices, Enhanced Services, More Options, to Local and Long Distance Telephone Services Consumers**

WASHINGTON, D.C. -- The Department of Justice today urged the Federal Communications Commission to reform its rules involving fees paid by consumers and long distance companies to local telephone companies for the use of local telephone networks, in order to facilitate the transition to competitive markets. The Department's Antitrust Division said that reform of the access charge rules will promote competition in telephone markets, bringing lower prices, enhanced services, and additional service options to local and long distance telephone services consumers.

The Department's recommendations were contained in a letter filed with the FCC in connection with its rulemaking to reform federal access charges.

"Getting access reform right and implementing it in the proper manner is crucial to ensuring that consumers receive the benefits of competition in local and long distance telephone markets as envisioned by the 1996 Telecom Act," said Joel I. Klein, Acting Assistant Attorney General in charge of Department's Antitrust Division.

Klein explained that the Department's extensive experience in the telecommunications industry demonstrates that a competitive marketplace will bring telecommunications consumers significant benefits, including lower prices, enhanced services, and additional service options.

The reforms affect the part of the current system that authorizes local telephone carriers to assess access charges on consumers as well as long distance carriers. Consumers pay access charges directly in the form of a monthly fee on their local telephone bill known as a "Subscriber Line Charge." In addition, access fees imposed on long distance companies are typically passed on to consumers in the rates charged for long distance telephone calls.

The Department urged the FCC to adopt reforms that would provide explicit subsidies to promote universal service, rather than the implicit subsidies currently provided by access charges.

The Department also recommended a restructuring of access charges that would create a more efficient rate structure, in which local telephone companies would charge usage sensitive--per minute--prices for services when costs depend on the amount of usage, and non-usage-sensitive charges when costs do not depend on the amount of usage.

The Department also recommended principles for the transition to the new access charge rules that would protect residential and low-volume customers. The Department suggested that the FCC should:

- Immediately conduct further proceedings to determine if access charges should be reduced in the near term, under the FCC's price cap rules;
- Implement rate restructuring at the same time as it makes these adjustments to rate levels under the price cap rules;
- Rely on market forces for now to produce pressure for lower access rates, but consider a prescriptive approach to reduce rates in the future, if competition doesn't develop quickly enough;
- Prepare for potential claims that the Commission's reforms will leave the incumbent local exchange carriers with "stranded costs" which they should be entitled to recover in the event that such costs even exist.

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